

Industry **Building Materials**  
 Bloomberg **ACC IN**  
 BSE CODE **500410**

## Steep decline in RMX volumes impacted Top line

RATING	NEUTRAL
CMP	1330
Price Target	1520
Potential Upside	14%
Rating Change	↔
Estimate Change	↔
Target Change	↔

STOCK INFO	
52wk Range H/L	1708/896
Mkt Capital (Rs Cr)	24977
Free float (%)	45%
Avg. Vol 1M (,000)	46
No. of Shares (Crs)	19
Promoters Pledged %	NA

### 2QCY20 Result Update

- In 2QCY20, ACC grey cement volumes declined by 38% YoY to 4.76 MT impacted on account of nation-wide lockdown in the month of April due to COVID-19 while Ready mix Concrete volumes remained highly impacted and declined by 83% YoY to 0.15 Million Cubic metres impacted on account of higher presence in urban centres as urban India remained more impacted due to Pandemic.
- Total Sales de-grew by 37.3% YoY to Rs. 2602 cr. impacted on account of lower volumes on account of nationwide lockdown due to COVID-19.
- The Company's EBITDA margin improved by 547 bps to 20.2% YoY led by lower other expense, freight and Power & fuel cost.
- Power & fuel, freight cost and other expense declined by 211/197/248 bps led by better fuel mix with higher percentage of low cost coal, thermal energy efficiency, freight rationalization and cost control measures undertaken by the company.
- PAT stood at Rs. 271 cr. with PAT de-growth of 40.5% YoY with PAT margin at 10.3% in 2QCY20.

### View and Valuation

In 2QCY20, In the first month of quarter the cement company's witnessed complete closure due to nationwide lockdown on account of COVID-19 which impacted grey volumes of grey cement as well as RMX volumes but through by 38% YoY while RMX volumes declined steeply and revenue de-grew by 83% YoY to Rs. 62 cr. Going forward, we expect urban demand to remain impacted due to higher COVID-19 cases while some demand is expected from Rural India. On pricing front, the cement prices are expected to remain stable because of subdued demand on lock down extension in urban India. On the Margin front, we expect the company's supply chain efficiency coupled with cost saving measures at operational level, maximizing the use of alternate fuel along with declining petrol prices will ensure margin expansion. Thus, we remain positive on the stock. However, considering the current scenario of extension of lockdown in different parts of India and increasing rate of disease spread we maintain our NEUTRAL rating with a target price of Rs. 1520.

### Key Risks to our rating and target

- Full nationwide in lockdown.
- Unavailability of labors due to lockdown.
- Steep increase in freight cost.

### RESEARCH ANALYST

**GAZAL NAWAZ**

gazal.nawaz@narnolia.com

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	CY16	CY17	CY18	CY19	CY20E
Net Sales	10990	13285	14802	15658	14096
EBITDA	1478	1912	2048	2413	2416
EBIT	869	1269	1445	1806	1763
PAT	658	925	1521	1378	1267
EPS (Rs)	35	49	81	73	67
EPS growth (%)	12%	40%	64%	-9%	-8%
ROE (%)	7%	10%	14%	12%	10%
ROCE (%)	10%	14%	14%	16%	14%
EV/EBITDA	16.2	15.6	11.7	9.8	9.7
P/B (X)	2.9	3.5	2.6	2.4	2.3
P/E (x)	39	35	18	20	23

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Narnolia Financial Advisors Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

## 2QCY20 Results Mixed numbers

Fig in Rs Cr

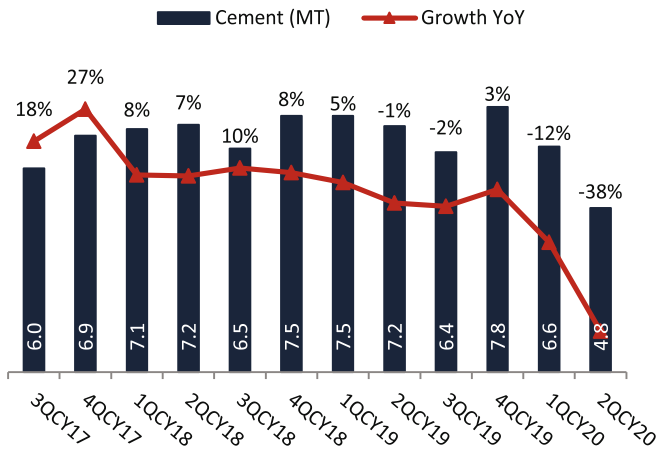
FINANCIALS	2QCY19	3QCY19	4QCY19	1QCY20	2QCY20	YoY%	QoQ%	CY18	CY19	YoY%
Net Sales	4150	3528	4060	3502	2602	<b>-37.3%</b>	<b>-25.7%</b>	14802	15658	<b>-5%</b>
Other Income	53	51	58	56	51	<b>-4.1%</b>	<b>-8.3%</b>	143	318	<b>-55%</b>
COGS	657	398	951	475	499	<b>-24.0%</b>	<b>5.0%</b>	2332	2719	<b>-14%</b>
Gross Margin	83%	89%	77%	86%	81%	<b>-2.2%</b>	<b>-5.6%</b>	84%	83%	<b>-1%</b>
Employee Cost	204	230	233	209	177	<b>-13.1%</b>	<b>-15.4%</b>	884	866	<b>2%</b>
Other Expenses	650	608	610	555	343	<b>-47.2%</b>	<b>-38.2%</b>	2544	2494	<b>2%</b>
EBITDA	783	557	541	586	525	<b>-32.9%</b>	<b>-10.4%</b>	2048	2413	<b>-15%</b>
EBITDA%	19%	16%	13%	17%	20%	<b>1.3%</b>	<b>3.4%</b>	14%	15%	<b>2%</b>
Depreciation	147	151	161	158	163	<b>10.8%</b>	<b>3.0%</b>	603	606	<b>-1%</b>
EBIT	636	406	380	429	363	<b>-43.0%</b>	<b>-15.4%</b>	1445	1806	<b>-20%</b>
Interest	20	16	29	11	13	<b>-34.3%</b>	<b>23.3%</b>	88	86	<b>2%</b>
PBT	670	440	408	474	401	<b>-40.1%</b>	<b>-15.4%</b>	1500	2038	<b>-26%</b>
Exceptional Item	-	-	-	-	-	-	-	-	-	-
Tax	217	141	140	153	132	<b>-39%</b>	<b>-14%</b>	-11	675	<b>-102%</b>
PAT	453	300	268	321	269	<b>-40.7%</b>	<b>-16.2%</b>	1521	1378	<b>10%</b>
PAT Margin	11%	8%	7%	9%	10%	<b>-0.6%</b>	<b>1.2%</b>	10%	9%	<b>-1%</b>

CEMENT BUSINESS	3QCY18	4QCY18	1QCY19	2QCY19	3QCY19	4QCY19	1QCY20	2QCY20	YoY%	QoQ%
Sales	3,581	3,185	3,582	3,587	3,841	3,233	3,705	3,153	<b>-12%</b>	<b>-15%</b>
Vol (Mn Ton)	7.2	6.5	7.5	7.5	7.2	6.4	7.8	6.6	<b>-12%</b>	<b>-15%</b>
Real.(Rs./Ton)	4,947	4,869	4,776	4,783	5,335	5,021	4,774	4,777	<b>0%</b>	<b>0%</b>

RMC BUSINESS	3QCY18	4QCY18	1QCY19	2QCY19	3QCY19	4QCY19	1QCY20	2QCY20	YoY%	QoQ%
Sales	321	303	360	393	366	335	389	390	<b>-1%</b>	<b>0%</b>
Vol (Mn Ton)	0.8	0.7	0.9	0.9	0.9	0.8	0.9	0.9	<b>-1%</b>	<b>0%</b>
Real.(Rs./Ton)	4,164	4,155	4,181	4,181	4,304	4,134	4,182	4,192	<b>0%</b>	<b>0%</b>

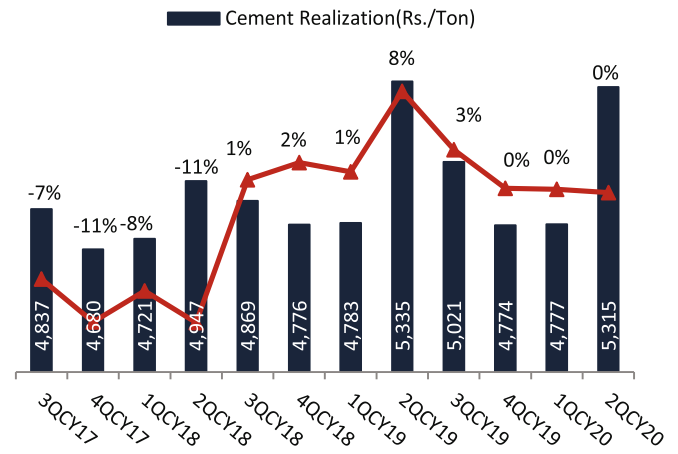
## Exhibit: Cement Volume trend

Cement volumes remained impacted led by shutdown of factories due to COVID-19 in 2QCY20.



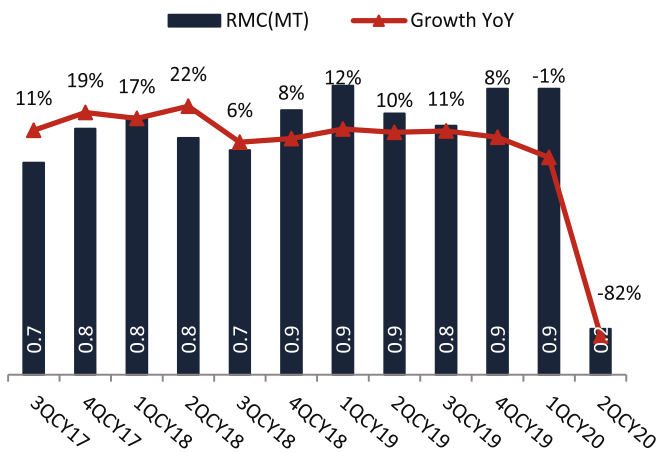
## Exhibit: Cement realization trend

Realization remained flat on YoY basis but improved on QoQ basis led by improved product mix.



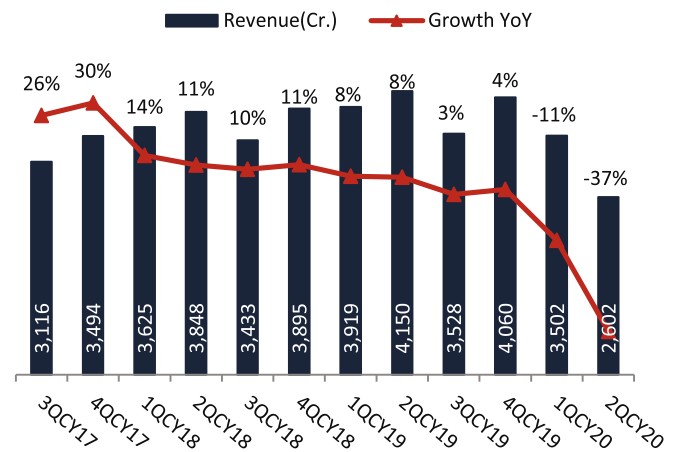
## Exhibit: RMC Volume trend

The Company's RMC volumes also remained impacted due to higher presence of RMX centres in urban regions.



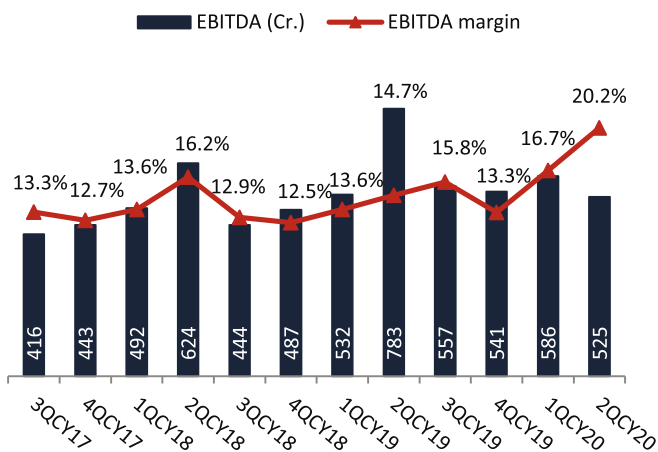
## Exhibit: Revenue and revenue growth trend

Sales remained impacted due to lower vol. from RMX as well as from Grey cement on account of lockdown.



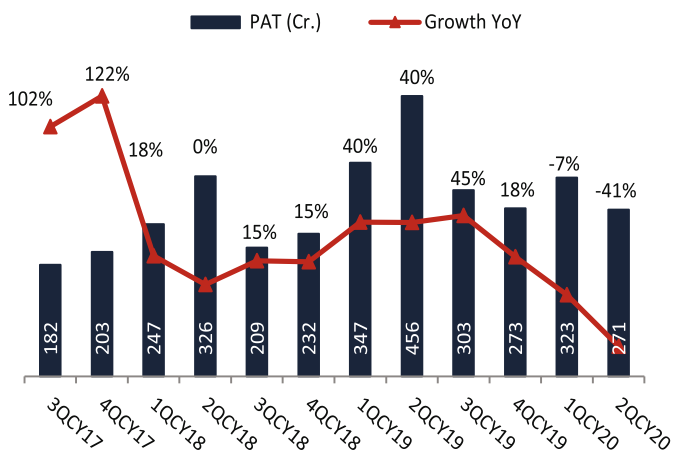
## Exhibit: EBITDA margin trend

EBITDA improvement was led by supply chain efficiency and lower operational cost on account of lower volumes.



## Exhibit: PAT and PAT growth trend

PAT de-grew by 41% to Rs. 271 cr. Impacted by lower top line in 2QCY20..



## Financial Details

### Balance Sheet

Fig in Rs Cr

Y/E March	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20E
Share Capital	188	188	188	188	188	188	188	188
Reserves	7625	8030	8233	8625	9168	10344	11356	12359
<b>Networth</b>	<b>7813</b>	<b>8218</b>	<b>8421</b>	<b>8813</b>	<b>9356</b>	<b>10532</b>	<b>11544</b>	<b>12547</b>
Debt	0	0	0	0	0	0	0	0
Total Capital Employed	7813	8218	8421	8813	9356	10532	11544	12547
<b>Net Fixed Assets (incl CWIP)</b>	<b>6402</b>	<b>7622</b>	<b>7727</b>	<b>7813</b>	<b>7534</b>	<b>7470</b>	<b>7457</b>	<b>7882</b>
Non Current Investments	87	84	87	32	4	4	4	4
Other Non Current Assets	308	361	466	839	1027	612	541	728
Non Current Assets	7684	9003	9396	9289	9191	9372	9601	9989
<b>Inventory</b>	<b>1122</b>	<b>1256</b>	<b>1189</b>	<b>1225</b>	<b>1405</b>	<b>1679</b>	<b>1142</b>	<b>1028</b>
Debtors	397	411	484	533	666	867	627	564
Cash & Bank	839	696	94	1977	2729	3097	4648	5082
Other Current Assets	20	15	55	323	792	725	808	728
Current Assets	4417	3678	3404	4093	5642	6673	7524	7672
<b>Creditors</b>	<b>642</b>	<b>752</b>	<b>878</b>	<b>1258</b>	<b>1814</b>	<b>1926</b>	<b>1475</b>	<b>1328</b>
Provisions	1064	937	639	52	51	27	23	21
Other Current Liabilities	1961	2115	2269	1416	1738	1795	1919	1728
Curr Liabilities	3666	3804	3786	3980	4793	4706	4698	4230
<b>Net Current Assets</b>	<b>751</b>	<b>-126</b>	<b>-382</b>	<b>113</b>	<b>849</b>	<b>1967</b>	<b>2826</b>	<b>3442</b>
<b>Total Assets</b>	<b>12101</b>	<b>12682</b>	<b>12800</b>	<b>13394</b>	<b>14846</b>	<b>16056</b>	<b>17136</b>	<b>17671</b>

### Income Statement

Fig in Rs Cr

Y/E March	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20E
<b>Revenue from Operation</b>	<b>11150</b>	<b>11739</b>	<b>11797</b>	<b>10990</b>	<b>13285</b>	<b>14802</b>	<b>15658</b>	<b>14096</b>
Change (%)	-2%	5%	-1%	-7%	21%	11%	7%	-10%
Other Income	281	257	120	123	129	143	318	203
<b>EBITDA</b>	<b>1630</b>	<b>1513</b>	<b>1537</b>	<b>1478</b>	<b>1912</b>	<b>2048</b>	<b>2413</b>	<b>2416</b>
Change (%)	-26%	-7%	2%	-4%	29%	7%	18%	0%
Margin (%)	14%	13%	13%	13%	14%	14%	15%	17%
Depr & Amor.	584	568	663	609	644	603	606	653
<b>EBIT</b>	<b>1046</b>	<b>946</b>	<b>875</b>	<b>869</b>	<b>1269</b>	<b>1445</b>	<b>1806</b>	<b>1763</b>
Int. & other fin. Cost	114	83	65	79	99	88	86	71
<b>EBT</b>	<b>1214</b>	<b>1120</b>	<b>930</b>	<b>913</b>	<b>1299</b>	<b>1500</b>	<b>2038</b>	<b>1896</b>
Exp Item	0	0	164	39	0	0	0	0
<b>Tax</b>	<b>132</b>	<b>-31</b>	<b>190</b>	<b>227</b>	<b>386</b>	<b>-11</b>	<b>675</b>	<b>630</b>
<b>Minority Int &amp; P/L share of Ass.</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Reported PAT	1095	1162	588	658	925	1521	1378	1267
<b>Adjusted PAT</b>	<b>1095</b>	<b>1162</b>	<b>457</b>	<b>629</b>	<b>925</b>	<b>1521</b>	<b>1378</b>	<b>1267</b>
<b>Change (%)</b>	<b>3%</b>	<b>6%</b>	<b>-49%</b>	<b>12%</b>	<b>40%</b>	<b>64%</b>	<b>-9%</b>	<b>-8%</b>
Margin(%)	10%	10%	5%	6%	7%	10%	9%	9%

## Financial Details

### Key Ratios

Y/E March	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20E
ROE	14%	14%	7%	7%	10%	14%	12%	10%
ROCE	13%	12%	10%	10%	14%	14%	16%	14%
Asset Turnover	0.9	0.9	0.9	0.8	0.9	0.9	0.9	0.8
Debtor Days	13	13	15	18	18	21	15	15
Inv Days	37	39	37	41	39	41	27	27
Payable Days	21	23	27	42	50	48	34	34
Int Coverage	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
P/E	19	23	43	39	35	18	20	23
Price / Book Value	2.7	3.2	3.0	2.9	3.5	2.6	2.4	2.3
EV/EBITDA	12	17	17	16	16	12	10	10
FCF per Share	0.1	(0.2)	0.2	0.6	0.6	0.4	1.2	0.5
Div Yield	3%	2%	1%	1%	0%	0%	0%	0%

### Cash Flow Statement

Fig in Rs Cr

Y/E March	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20E
PBT	1214	1120	766	885	1310	1510	2053	2048
(inc)/Dec in Working Capital	-189	60	52	183	-91	-391	270	-121
Non Cash Op Exp	584	568	827	609	644	603	606	638
Int Paid (+)	114	83	65	79	99	88	86	79
Tax Paid	-451	-237	-231	-274	-219	-528	-447	-678
others	-208	-240	-22	-93	-188	-165	-313	0
<b>CF from Op. Activities</b>	<b>1063</b>	<b>1352</b>	<b>1457</b>	<b>1390</b>	<b>1554</b>	<b>1118</b>	<b>2255</b>	<b>1965</b>
(inc)/Dec in FA & CWIP	-963	-1604	-1119	-501	-520	-497	-495	-1078
Free Cashflow	101	-251	337	889	1034	620	1760	887
(Pur)/Sale of Inv	-58	36	153	-112	62	40	-6	0
others	159	111	62	78	79	93	179	0
<b>CF from Inv. Activities</b>	<b>-862</b>	<b>-1457</b>	<b>-904</b>	<b>-535</b>	<b>-380</b>	<b>-364</b>	<b>-322</b>	<b>-1078</b>
inc/(dec) in NW	0	0	0	0	0	0	0	0
inc/(dec) in Debt	-128	-35	0	0	0	0	0	0
Int. Paid	-51	-49	-41	-46	-42	-41	-57	-79
Div Paid (inc tax)	-656	-753	-675	-384	-384	-340	-317	-263
others	-	-	-	-	-	-	-	-
<b>CF from Fin. Activities</b>	<b>-834</b>	<b>-837</b>	<b>-716</b>	<b>-430</b>	<b>-426</b>	<b>-380</b>	<b>-374</b>	<b>-342</b>
Inc(Dec) in Cash	-633	-942	-164	425	749	373	1559	545
<b>Add: Opening Balance</b>	<b>3156</b>	<b>2523</b>	<b>1581</b>	<b>1383</b>	<b>1810</b>	<b>2561</b>	<b>2934</b>	<b>4648</b>
Closing Balance	2523	1581	1418	1808	2559	2933	4492	5193

Narnolia Financial Advisors Ltd. is a SEBI registered Research Analyst having SEBI Registration No. INH300006500. The Company/Analyst (s) does/do not have any holding in the stocks discussed but these stocks may have been recommended to clients in the past. Clients of Narnolia Financial Advisors Ltd. may be holding aforesaid stocks.

The stocks recommended are based on our analysis which is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed.

Disclosures: Narnolia Financial Advisors Ltd. (NFAL) (Formerly Microsec Capital Ltd.) is a SEBI Registered Research Analyst having registration no. INH300006500. NFAL is engaged in the business of providing Stock Broking, Depository Participant, Merchant Banking, Portfolio Management & distribution of various financial products. Details of associate entities of NFAL is available on the website at [www.narnolia.com](http://www.narnolia.com)

No penalties have been levied on NFAL by any Regulatory/Statutory authority. NFAL, its associates, Research Analyst or their relative may have financial interest in the subject company. NFAL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. NFAL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of NFAL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. NFAL and/or its associates may have received compensation from the subject company in the past 12 months. In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, NFAL or any of its associates may have: a) managed or co-managed public offering of securities from subject company of this research report, b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report, c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report. d) Subject Company may have been a client of NFAL or its associates during 12 months preceding the date of distribution of the research report. NFAL and its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. NFAL and / or its affiliates may do and seek to do business including Investment Banking with companies covered in the research reports. As a result, the recipients of this report should be aware that NFAL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific Merchant Banking, Investment Banking or Brokerage service transactions. Research Analyst's views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of NFAL or its associates maintains arm's length distance with Research Team as all the activities are segregated from NFAL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Analyst Certification The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL
---	-----

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com).

Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; [www.narnolia.com](http://www.narnolia.com).

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; [www.narnolia.com](http://www.narnolia.com)

Compliance Officer: Manish Kr Agarwal, Email Id: [mkagarwal@narnolia.com](mailto:mkagarwal@narnolia.com), Contact No.:033-40541700.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerze Limited (Formerly Microsec Commerze Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVelo Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

Disclaimer:

This report has been prepared by Narnolia Financial Advisors Ltd. (NFAL) and is meant for sole use by the recipient and not for public circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of NFAL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his/her/its own advisors to determine the merits and risks of such an investment. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NFAL will not treat recipients as customers by virtue of their receiving this report. Neither the Company, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits or lost opportunities that may arise from or in connection with the use of the information/report. The person accessing this information specifically agrees to exempt NFAL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold NFAL or any of its affiliates or employees responsible for any such misuse and further agrees to hold NFAL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NFAL & its group companies to registration or licensing requirements within such jurisdictions.